State Of California The Resources Agency of California

Memorandum

Date: January 15, 2003
Telephone: (916) 653-0062

To: James D. Boyd, Presiding Member
Arthur H. Rosenfeld, Ph.D., Associate Member

From: California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Matt Trask, Project Manager

Subject: **WALNUT ENERGY CENTER ISSUE IDENTIFICATION REPORT**

Attached is the staff's Issue Identification Report. This report serves as a preliminary scoping document as it identifies the issues the Energy Commission staff believe will require careful attention and consideration. We will discuss the issues in this report at the Informational Hearing and Site Visit scheduled for January 24, 2003.

Part of this report deals with scheduling issues. The Energy Commission is reviewing the Walnut Energy Center pursuant to a 12-month Application for Certification (AFC) process.

Attachments

cc: Proof of Service List
AFC Agency list

ISSUE IDENTIFICATION REPORT

WALNUT ENERGY CENTER

(02-AFC-4)

Table of Contents

WALNUT ENERGY CENTER ISSUE IDENTIFICATION REPORT

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the case thus far. Issues are identified as a result of discussions with federal, state, and local agencies, and our review of the Walnut Energy Center Application for Certification (AFC), Docket Number 02-AFC-4. This Issue Identification Report contains a project description, summary of potentially significant environmental issues, and a discussion of the proposed project schedule. The staff will address the status of potential issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On November 19, 2002, Turlock Irrigation District filed an AFC for the Walnut Energy Center (WEC). On December 18, 2002, the Energy Commission determined the AFC to be data adequate, and staff has begun the environmental and technical analysis of the project. The generating facility would consist of two General Electric Frame 7EA combustion turbine-generators (CTGs), a single condensing steam turbine generator (STG), a deaerating surface condenser, a mechanical draft cooling tower; and associated support equipment. The CTGs would be equipped with standard combustors, air inlet chilling, and heat recovery steam generators (HRSGs) with duct burners. The emission reduction system includes a selective catalytic reduction (SCR) unit and water injection to control nitrogen oxides (NO_x) and an oxidation catalyst to control carbon monoxide (CO). Two on-site switchyards, one rated at 115 kV and the other at 69kV, would deliver the plant's power through two new transmission lines directly to two existing nearby transmission lines: the Walnut-Hilmar 115-kV line through approximately 1,950 of new line, and the Walnut-Industrial 69-kV Line 2 line through approximately 670 feet of new line. The project also includes approximately 3.6 miles of new 8-inch diameter underground natural gas pipeline to convey gas from Pacific Gas & Electric Company's (PG&E) gas distribution Line 215 at West Bradbury Road to the WEC site.

The project includes 1.6 miles of new 12-24 inch diameter pipeline that would eventually supply tertiary treated recycled waste water from City of Turlock's Regional Wastewater Treatment Plant (WWTP), located east of the project site, to provide an estimated 1,800 acre-feet per year of cooling water for the plant. The City is in the process of developing a Title 22 Tertiary Wastewater Treatment Plant, which is scheduled to be online by May 1, 2006. The project proposes to use potable water from the City of Turlock as a "bridge supply" for cooling water through a new 0.9 mile pipeline during the interim months until recycled water from the WWTP is available. After the recycled water supply is available, potable supply would be used only for potable, plant service and fire protection needs. The project will use a wastewater recovery system to recover all process wastewater for reuse, resulting in zero liquid discharge. The enclosed project fact sheet contains additional information on the project.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. This report may not include all the significant

issues that may arise during the case, as discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report is based on our judgement of whether any of the following circumstances will occur:

- Significant impacts may result from the project which may be difficult to mitigate;
- The project as proposed may not comply with applicable laws, ordinances, regulations or standards (LORS);
- Conflicts may arise between the parties about the appropriate findings or conditions of certification for the Commission decision that could result in a delay in the schedule.

The following table lists all the subject areas evaluated and notes those areas where critical or significant issues have been identified and if data requests have been requested. Even though an area is identified as having no significant issues, it does not mean that an issue will not arise related to the subject area. For example, disagreements regarding the appropriate conditions of certification may arise between staff and applicant that will require discussion at workshops or even subsequent hearings. However, we do not currently believe such an issue will have an impact on the case schedule or that resolution will be difficult.

Major Issue	Data Req.	Subject Area	Major Issue	Data Req.	Subject Area
Yes	Yes	Air Quality	No	Yes	Public Health
No	Yes	Biological Resources	No	Yes	Socioeconomics
No	Yes	Cultural Resources	No	Yes	Traffic & Transportation
No	No	Reliability/Efficiency	No	No	Transmission Safety
No	No	Facility Design	No	Yes	Transmission Sys. Eng.
No	Yes	Geological Resources	No	Yes	Visual
No	No	Hazardous Material	No	Yes	Waste Management
Yes	Yes	Land Use	No	Yes	Water & Soil
No	Yes	Noise	No	No	Worker safety

AIR QUALITY

EMISSION REDUCTION CREDIT VALIDITY

One potentially critical air quality issue may affect the timing and outcome of the licensing process for the Walnut Energy Center: Emission Reduction Credit (ERC) validity. Currently, the San Joaquin Valley Air Pollution Control District does not have approved attainment plans for ozone or particulate matter less than 10 microns in diameter (PM_{10}). The USEPA has identified two issues regarding ERC validity, in terms of conforming with Clean Air Act (CAA) law, due to the lack of approved attainment plans. First, the use of ERCs that result from the shutdown of a major source are not valid under CAA law [Section 173(a)(1)(A)], or District regulation (Regulation 2201 Section 4.13.1), without an approved attainment plan. Second, the use of older ERCs

are not valid under CAA law [Sections 171, 172(c)(2), 173(a)(1)(A), and 182(b)(1)(B)] without an approved attainment plan that specifically account for those ERCs in order to ensure reasonable further progress towards attainment of air quality standards. Specifically, this means that pre-1990 ozone precursor ERCs, and pre-1993 PM_{10} or PM_{10} precursor ERCs are not valid under CAA law to offset ozone and PM_{10} impacts. (Ozone precursors include NO_x and volatile organic compounds; PM_{10} precursors include sulfur dioxide (SO_2) and NO_x.)

Because the ERC certificates provided by the applicant do not specify the date or origin of the ERC, staff does not know if any of the Applicant's proposed ERCs are either from major source shutdowns or from pre-1990 or pre-1993 emission reductions. Staff is currently working with the Air District to verify the date and origin of each ERC devoted to this project. If one or more ERCs are found to be invalid for the reasons specified above, staff believes that it may take additional time to resolve the issue of appropriate mitigation for air quality impacts. Therefore, this issue has some potential to delay the licensing process.

LAND USE

MITIGATION FOR CONVERSION OF AGRICULTURAL LAND TO A NON-AGRICULTURAL USE

In 1992, the City of Turlock amended their General Plan to include approximately 1,000 acres of prime agricultural land within their General Plan study area, with a new designation of "industrial urban reserve." Of the 1,000 acres designated "reserved," approximately 300 acres were annexed to the City of Turlock from Stanislaus County and zoned as industrial, including the proposed project site.

The City of Turlock concluded that mitigation was not appropriate for this annexation and rezoning action. In a statement of overriding consideration, the City concluded that the 1992 General Plan would have a significant impact on prime agricultural land, even if mitigation were to be implemented. The City further stated that its ability to meet its fair share of the regional needs (balance of jobs, housing, and sufficient services) outweighed the environmental risk of farmland conversion. It is staff's position, that although the project constitutes industrial development on land that is zoned for industrial, the project site is considered prime agricultural land, has been continually farmed, and is considered significant as determined by the California Resources Agency.

The applicant is proposing to permanently convert approximately 18-acres of irrigated prime agricultural land to an industrial use, specifically, the proposed Turlock/Walnut Energy Center. The applicant has indicated that the remainder parcel (51 acres) would be returned to agricultural use. Staff will consider whether the permanent conversion of the 18-acre site would constitute a significant land use impact, and whether mitigation is required, such as payment into a farmland trust organization. If this issue is contested, the project schedule could be affected, though this does not seem likely at this time.

SCHEDULING ISSUES

Staff has begun its analyses of the environmental and engineering aspects of the applicant's proposed project and is currently in the discovery phase.

Following is staff's proposed 12-month schedule for key events of the project. The ability of staff to be expeditious in meeting this schedule will depend on: the applicant's timely response to staff's data requests; the filing of the Determination of Compliance from the Air District; determinations by other local, state and federal agencies; and other factors not yet known. Conversely, staff may be able to significantly accelerate the schedule if responses and determinations are filed ahead of schedule.

ENERGY COMMISSION STAFF'S PROPOSED

SCHEDULE FOR WALNUT ENERGY CENTER

(2002) Day –29	November 19	Application filed
(2002) Day –1	December 17	Staff recommendation on DA
(2002) Day 0	December 18	CEC determines Data Adequacy
(2003) Day 28	January 15	Staff files Issue Identification Report
Day 28	January 17	Staff files Data Requests
Day 37	January 24	Information Hearing & Site Visit
Day 50	February 6	Applicant files data responses (round 1)
Day 63	February 19	Workshop on Issues, & Data Responses
Day 82	March 10	Staff files data requests round 2 (if necessary)
Day 104	April 1	Applicant provides data responses (round 2)
Day 120	April 17	Local, state, federal, agencies file Determinations
Day 132	April 29	2nd Workshop on Issues, & Data Responses
Day 149	May 9	Preliminary Staff Assessment Issued
Day 180	June 9	Local, state, federal, file Final Determinations.
Day 170-180	June 9	Preliminary Staff Assessment Workshop
Day 210	July 9	Final Staff Assessment
Day 234-245	August 13	Evidentiary Hearing
Day 292	September 29	PMPD
Day 322	October 29	Hearing on PMPD
Day 352	November 28	Revised PMPD
(2003) Day 364	December 1	Decision